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VISIBILITY MANAGEMENT OF OPERATING AND SUPPORT COSTS
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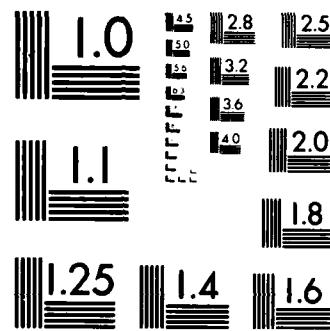
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EXECUTIVE SUMMARY

VISIBILITY AND MANAGEMENT OF OPERATING AND SUPPORT COSTS (VAMOSC) PROGRAM

A Videotaped Presentation



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Produced by
HQ AFLC/MML (VAMOSC)
Wright-Patterson AFB, Ohio
In cooperation with ARINC Research Corporation
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| 20. ABSTRACT (Continue on reverse side if necessary and identify by block number) This Executive Summary report along with an 18 minute videotape presentation was produced at the request of the HQ AFLC/MML (VAMOSC) Program Office in 1984. These provide an executive overview of the Air Force Visibility and Management of Operating and Support Costs (VAMOSC) Program. They define the need for an historical operating and support (O&S) cost data base to support the growth in operating and support costs for the VAMOSC program. | | |

20. Under direction of the Department of Defense, the VAMOSC Program has been established to help manage O&S costs of defense systems. This program is intended for use by cost analysts, budget analysts and other personnel in the cost community who are responsible for planning, programming, budgeting and resource management.

Anyone wishing to view the videotape, please contact the Office of VAMOSC, Autovon 787-4963 or Commerical (513) 257-4963.

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INTRODUCTION

The purpose of this videotaped presentation is to provide to the audience an overview of the Air Force VAMOSC Program. It defines the need for a historical operating and support (O&S) cost data base by comparing the growth of some O&S costs from the 1940's to the present.

Under direction of the Department of Defense (DoD), VAMOSC has been established as a tri-service, dynamic program to help manage O&S costs of defense systems. It is intended for use by cost analysts, budget analysts and other personnel in the cost community who are responsible for planning, programming, budgeting and resource management within their respective offices. Each branch of the service has been tasked to develop its own VAMOSC Program in order to include the O&S data elements unique to their weapon systems. However, the DoD objectives for each program are the same. Therefore, while this videotape addresses the Air Force VAMOSC Program in particular, the background information, the VAMOSC Program objectives, and many of the benefits are generic to Army, Navy and Air Force.

EXECUTIVE SUMMARY

VISIBILITY AND MANAGEMENT OF OPERATING AND SUPPORT COSTS (VAMOSC) PROGRAM ORIENTATION VIDEOTAPE

VAMOSC: TO FILL THE NEED

The purpose of this videotape is to explain to the viewer:

1. the growth of operating and support (O&S) costs
2. why the VAMOSC Program was established by the Department of Defense
3. the objectives of the VAMOSC Program
4. the type of operating and support (O&S) data that are collected and maintained by the Air Force VAMOSC Program Office
5. the benefits derived from the VAMOSC Program

The following points are addressed in the videotape.

- o The acquisition costs of technologically advanced weapon systems have increased dramatically since the 1940's. Today, one F-16 costs seventy-two times more than its World War II counterpart, the P-38.
- o Operating and support costs of weapon systems have spiralled at an even more rapid rate than acquisition costs. Component costs, salaries, and fuel costs are prime examples of O&S cost items that have continued to dramatically increase over the years.
- o By 1968, O&S costs for weapon systems exceeded acquisition costs. Operating and Support costs are defined as the resources, both manpower and material, needed to maintain a system over its useful lifetime.
- o In fiscal year 1983, sixty-one percent of the DoD budget was programmed for defense systems operation costs. In this same year the Air Force authorized 41.9 percent of the Total Obligation Authority by Appropriation for maintenance, operations and personnel.

- o Affordability has become a major issue in the continuing debate over the necessity to maintain military readiness. The lack of available O&S cost data severely hindered military readiness. No capability existed to track O&S costs of end items throughout the services.
- o In order to budget appropriations most effectively, defense planners need to be able to project the life cycle cost of a weapon system.
- o Recognizing the problems created by the lack of visibility of O&S costs, Deputy Secretary of Defense Clements initiated the VAMOSC Program in June 1975 by issuing Management by Objective Memorandum 9-2. This Memorandum stated the need to develop and implement a cost effective system for identifying operating and support costs by weapon systems. These costs were to be provided in accordance with the standard set of accounts formulated by the Cost Analysis Improvement Group (CAIG).
- o Department of Defense Directive 7220.33 officially established both the tri-service VAMOSC Program and the VAMOSC Steering Committee. The Steering Committee consists of representatives of the Assistant Secretaries of Defense and the three Armed Services. Its purpose is to formulate VAMOSC Program policy and promote the use of VAMOSC data in predicting future costs for defense systems.
- o The Air Force VAMOSC Program Office was chartered in 1979 in the Headquarters, Air Force Logistics Command at Wright-Patterson Air Force Base, Ohio. It is under the direction of the senior logistician at Headquarters, United States Air Force.
- o The AF VAMOSC Program Office was tasked to develop a data base to portray and maintain O&S costs of existing aircraft, ground communications-electronics systems, and recoverable components. No new data systems have been created. All required data is pulled from existing systems and aggregated into a centralized data base.
- o The AF VAMOSC Program is composed of three data subsystems: the Weapons System Support Cost System (WSSC), the Component Support Cost System (CSCS) and the Communications-Electronics (C-E) System.

- oo WSSC provides O&S costs for over 100 aircraft at the mission, design, series level. It is a top-down costing data system.
- oo CSCS provides costing data by aircraft assembly and subassembly at the National Stock Number and five-digit Work Unit Code level. The data enable analysts to build bottom-up cost estimates for new systems.
- oo C-E provides costs for over 1200 ground communications-electronics end items at the type, model, series level.
- oo An annual fiscal report is produced from both WSSC and C-E; a quarterly report is produced from CSCS.
- o VAMOSC data are used by the CAIG, DoD cost analysts, logistics managers, and defense contractors to:
 - oo evaluate acquisition proposals
 - oo compare costs between existing weapon systems
 - oo increase cost factor accuracy
 - oo build cost models to support the acquisition and modification of ground communications-electronics equipment
 - oo wisely allocate scarce resources among competing defense system needs.
- o As technology imposes additional requirements, new data systems will be added to the VAMOSC data base. Users will be kept informed of changes and additions to the program through annual tri-service Users' Conferences. Detailed information describing the VAMOSC Program is contained in the VAMOSC customer manuals, AFR 400-31, Vols. I-IV.

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